

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

June 22, 2004

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FROM: **ROGER WEAVER**, Director
 Fleet Management Department

SUBJECT: APPROPRIATION ADJUSTMENTS

RECOMMENDATIONS: Authorize the Auditor/Controller-Recorder to adjust appropriations and revenue in the Fleet Management—Garage budget, as detailed in the financial impact section. (Four votes required)

BACKGROUND INFORMATION: The majority of the 2003-04 appropriation and revenue adjustments included in this item are related to increased costs due to uncontrollable economic conditions. Specifically, the cost of gasoline has been increasing dramatically during the last year. Furthermore, the planned purchase of Motor Pool vehicles in 2003-04 was delayed to a freeze on the purchase of fixed assets, which was implemented due to the state budget crisis.

Salaries and benefits

The department was able to realize salary savings by holding positions vacant at various times through the year. An appropriation decrease of \$300,000 is requested.

Services and supplies

The 2003-04 Fleet Management Department—Garage budget (ICB VHS) includes projected expenditures of \$3.1 million for gasoline; however, fuel prices have been 25%-47% higher than anticipated. In addition, the department is expecting to sell 200,000 gallons more than originally budgeted. As a result, the department anticipates spending approximately \$940,000 more on fuel in 2003-04 than it included in its budget.

Based on the anticipated purchase of new motor pool vehicles early in the fiscal year, the 2003-04 budget was reduced by \$1.2 million compared to the 2002-03 budget to reflect an expected decrease of purchases of automotive parts. However, the ongoing freeze on the purchase of fixed assets, which resulted in the delay of the purchase of vehicles, has resulted in a demand for parts higher than anticipated in the budget.

Fixed Assets

The department has realized savings by postponing major equipment purchases. An appropriation decrease of \$70,000 is requested.

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Transfers and reimbursements

In 2003-04, a change in accounting was initiated, which recognizes the transfer of cost between cost centers in the Garage budget (ICB VHS). Because these intra-fund transfers and reimbursements balance, there is no net effect on the Garage budget; however, the recognition of these transactions requires increased appropriation for transfers and reimbursements of \$237,000.

Also, reimbursements from the Motor Pool (IBA VHS) are expected to be more than budget due to additional work performed on vehicles that were not replaced timely due to the purchasing freeze. An additional increase of \$263,000 is requested.

Revenue

Increased gasoline costs are passed to the department's customers. The mark-up on gasoline is a fixed amount (\$0.26 per gallon in 2003-04) and remains unchanged throughout the year; therefore, revenue received from the department's customers fluctuates with the cost of gasoline.

REVIEW AND APPROVAL BY OTHERS: This item has been reviewed by the Auditor/Controller-Recorder (Oscar Valdez, Accounting Manager, 386-8885) on June 10, 2004 and the County Administrative Office (Daniel R. Kopp, Administrative Analyst, 387-3828) on June 14, 2004.

FINANCIAL IMPACT: On March 4, 2003, the Board approved Fleet Management rates for 2003-04. On June 24, 2003, the Board approved the Fleet Management—Garage budget as part of the consolidated County budget. The increase in fuel costs will be included in future year Motor Pool rates to be calculated by the department and approved by the Board.

Appropriation adjustments are requested as follows:

| <u>Action</u> | <u>Description</u> | <u>Accounting Codes</u> | <u>Amount</u> |
|---------------|--------------------------|-------------------------|---------------|
| Decrease | Salaries and benefits | ICB VHS VHS 100 1010 | (\$300,000) |
| Increase | Services and supplies | ICB VHS VHS 200 2050 | \$2,000,000 |
| Decrease | Structures & Improvement | ICB VHS VHS 430 4030 | (\$20,000) |
| Decrease | Equipment | ICB VHS VHS 440 4040 | (\$50,000) |
| Increase | Transfers Out | ICB VHS VHS 540 5018 | \$237,000 |
| Increase | Reimbursements | ICB VHS VHS 541 5013 | (\$263,000) |
| Increase | Reimbursements | ICB VHS VHS 541 5019 | (\$237,000) |
| Increase | Revenue | ICB VHS VHS 9800 | \$1,367,000 |

SUPERVISORIAL DISTRICTS: All

PRESENTER: Roger Weaver, Director, 387-7870

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